

3 1761 12062419 2

NATIONAL OFFICE
250C - 2nd Avenue S.
Saskatoon, Sask., S7K 2M1
Fax (306) 664-6226
Tel (306) 652-9465



national farmers union

In Union Is Strength

0A1

WB

- M25



National Farmers Union

Submission


to the

Canadian Wheat Board

presented in

Winnipeg, Manitoba

July 27, 1988



Digitized by the Internet Archive
in 2024 with funding from
University of Toronto

<https://archive.org/details/31761120624192>

National Farmers Union

Submission

to the

Canadian Wheat Board

presented in

Winnipeg, Manitoba

July 27, 1988

INTRODUCTION:

We appreciate the courtesy extended by your Board in agreeing to meet with us so near the end of the crop year. We realize it is a busy time as well as an uncertain one, both in respect to 1988 crop production levels and the future in 1988-89 with regard to price and market share we may be able to retain.

REVIEW OF THE SITUATION:

Crop yield for 1988 was forecasted on June 30 to be lower by one-third than last year but can still deteriorate further with the greatest losses expected in Saskatchewan and Manitoba. In response to poor crop conditions in the U.S. as well, world grain prices have shown considerable strength near the close of this crop year, which hopefully will hold the promise of positive balances in the 1987-88 pool accounts.

Forecasts from the Board at the beginning of July suggest exports may attain or exceed 30 million tonnes for 1987-88. The Board apparently has been successful in retaining our hold on world marketing share in a very competitive and cut-throat market. As we have already noted, the prospects for maintaining volume exports in 1988-89 with poor crop prospects and low carry-over stocks are a concern.

Market prices for a good part of this year were relatively weak as reflected by initial prices. The recent increases in initial prices have been welcome developments but they still remain low relative to current production costs.

We strongly support the Board's recent recommendation to the federal government that initial grain prices for the 1988-89 crop year be increased above previously-announced levels. The additional cash flow resulting from such an increase would be reflected in deliveries

to the off-board market as well as to Board account.

While recent price movements indicate fire sale pricing practices of the U.S.-E.E.C. grain price war may be easing off, we are not certain such a conclusion is fully justified. Recent suggestions in the U.S., notably by Cargill Grain Inc. that U.S. wheat acreage set-aside should be reduced to "zero", could quickly alter the indicated lower inventory. The U.S. still has its Export Enhancement Program which we believe it is willing to continue using to further expand market share in any manner it regards as advantageous.

Similarly, we believe the E.E.C. will also continue to subsidize exports at its discretion, particularly if the volume in world trade of grain should decline as has also been forecasted. This fact alone would ease the importance of lower carry-over stocks. The disquieting part of this total scenario is that both the U.S. and E.E.C. may be competing to fill the void of any grain volumes Canada is unable to provide to its traditional customers. This may create a serious problem in rebuilding market share in future years.

STRENGTHENING THE ORDERLY GRAIN MARKETING SYSTEM:

In previous submissions we have emphasized the need to strengthen the system for the orderly marketing of grain. Regrettably, we see little evidence that this is occurring.

The continued existence of a dual marketing system for feed grains remains central to the erosion of the orderly approach to marketing. Once again the Board has experienced the uncertainty of supply in its ability to accept export commitments.

While we accept that the fulfillment of domestic feed grain demands must be accorded priority over the marketing of feed grains into export, we do not believe the operation of an open market system domestically and a single-desk selling system into export markets can operate as efficiently and effectively as can a single-desk orderly marketing system for both the domestic and export markets.

The volume of grain required for the combined export and domestic markets can be reasonably estimated. One delivery quota

serving both markets surely is not beyond possibility. The Board would be accorded greater flexibility in managing stocks for specific purposes. It would be able to better maximize returns to grain producers through more intelligent inventory control. Higher grade grains would not be sold as feed grades. It would have better information with which to plan its sales programs.

The orderly system of marketing is based on the principle of providing producers equality of delivery opportunity. When the dual quota system results in a shortage of supply accruing to the Board for export sales and more than adequate inventory exists in off-board control to meet domestic demand, it represents a loss of marketing opportunity. It frustrates Board efforts for contracting forward sales commitments. It creates doubts in the minds of foreign buyers of our credibility as a reliable supplier.

It is a contravention of the basic one-desk selling principle of equality of delivery opportunity when the Board feels compelled to compete with the off-board marketing by needing to contract for barley and oat supplies to meet export commitments.

For the sake of better serving the interests of prairie grain producers, we urge your support for our recommendation to the federal government that full marketing jurisdiction, domestic and export, for wheat, oats and barley be restored to C.W.B. control.

We further recommend that rye, flax and canola marketing be placed under C.W.B. control and the Board's mandate be eventually broadened to include the marketing of all grains produced in Canada.

DOMESTIC WHEAT PRICES:

On June 1, 1988, the Minister of State, Grains and Oilseeds, issued a press release formally announcing changes to the two-price wheat policy. Commencing August 1, millers and processors are no longer required to pay \$7 per bushel for wheat and will instead pay a "North American" price which in reality translates into a U.S. price.

We are appalled by the lack of protest among most prairie farm organizations over the loss of a program based on a long-standing

principle that recognizes the distinction between relating a domestic price which is closer to cost of production to an export price established by market forces. Some even welcomed the change - claiming most of the benefit was accruing to Eastern producers - and all this just two years after the House of Commons Standing Committee on Agriculture, following the conduct of cross-country hearings, unanimously recommended the domestic price for wheat used for human consumption be set at \$10 per bushel. In the wake of that recommendation, the federal government announced the minimum price level for domestic wheat would be raised to \$6 and the maximum to \$11 per bushel. It has been nothing more than an exercise in smoke and mirrors.

Mr. Mayer's June 1 press release promised "farmers will continue to receive the full benefits of the two-price wheat policy." It was estimated that \$227 million would be paid to farmers for the 1988-89 crop year only. The distinct impression was that this payment would be made to compensate for the shortfall between \$7 and the expected lower price processors and millers would be asked to pay after August 1.

With the resurgence of world wheat prices, we now understand the new domestic wheat price may not in fact fall below \$7 per bushel. If that is the case, it casts doubt on whether the \$227 million promised on June 1st will actually be paid to farmers.

We seek assurances at this time that the promised \$227 million will be paid by the federal government for distribution to producers regardless of domestic wheat price levels in 1988-89.

The Minister's June 1st statement also claimed that farmers benefited to the amount of \$435 million from the domestic wheat price over the past two years but we believe that was a gross overstatement.

It is certain that the processors paid \$7 per bushel and consumers paid prices for bakery products which reflected the \$7 per bushel price. It is much less certain in our minds that farmers actually benefited to the extent claimed.

It is a matter of record that for the 1985-86 crop year the initial price for Number One Canada Western wheat was \$160/tonne (\$4.35

per bushel), well below the \$7/bushel domestic price. In that marketing year the wheat marketing pool suffered a deficit of \$23 million. In other words, it did not recover from the proceeds of its total marketings the government-guaranteed initial price. It seems apparent that the approximate \$149 million earnings of the domestic wheat price that were surplus to the initial price, offset the major portion of the true losses in export marketings experienced in that crop year.

In 1986-87, the C.W.B. reported a net surplus in its wheat marketing accounts of only \$8.1 million. The indicated surplus of domestic wheat sales over and above the value of the \$130/tonne (\$3.54 per bushel) initial price was about \$172 million. (Domestic marketings of red spring wheat were 1,354,273 tonnes compared to 1,559,588 tonnes in the previous crop year.)

If these assumptions are correct, farmers received nothing greater out of the domestic wheat price policy in 1985-86 and 1986-87 crop years than the initial price. The federal government was the real benefactor. We submit because the apparent benefit to farmers of the domestic wheat price policy over the past two years was practically non-existent, little concern was demonstrated over its loss by prairie farmers as a result.

We are not certain how the domestic wheat policy will square against export marketing accounts in the 1987-88 crop year but an adjustment payment of \$10 per tonne has already been made and the initial price has been increased to \$120 per tonne (\$3.26 per bushel). That price is so low, export marketing losses should be non-existent. If so, some of the approximate \$225 million additional C.W.B. earnings in 1987-88 from the domestic wheat sales may actually go into prairie farmers' pockets.

The greater tragedy associated with ending the domestic wheat price policy is that it has been the first domestic policy to fall victim to the Canada-U.S. Free Trade Agreement. Our sovereign right to develop our own unique domestic wheat pricing system, in spite of all the warts of the current policy, has been sacrificed in the cause of creating a "level playing field." All the rules of the game are to be changed. We can no longer consider supplying the needs for the domestic wheat, barley and oats market as exclusively ours. The

marketing power equation has been weighted in favour of the buyer and consumer away from the farmer and his marketing agencies. As a consequence, we believe the marketing power of the Board itself is once again put at risk for further erosion.

THE BOARD AND THE FREE TRADE AGREEMENT:

We are greatly concerned over implications to Board powers of Article 705 of the Free Trade Agreement. By the elimination of any import permit requirements once the relative support measures practiced by the two countries are regarded as "level," the Board loses a great deal of power to regulate the flow of U.S. grain into Canada. Without the power to regulate imports, the role of the Board is seriously endangered.

Reference in Article 705 to the optional issuance of "end-use certificates" by Canada is little more than window dressing. In a U.S. government document which outlines its Statement of Administrative Action on the FTA, U.S. officials clearly spell out their intent to have Canada forgo the requirement for such certificates. The U.S. government statement says:

Regarding the provisions of paragraph one of Article 705 that provide that, once the import permit requirements are removed for the particular grain, Canada may require imports from the U.S. of that grain to be accompanied by an end-use certificate, denatured if for feed use, or accompanied by a certificate issued by Agriculture Canada if for seed use, the United States intends to pursue consultations with Canada with the goal of avoiding the application of these requirements if at all possible. If these import requirements are imposed, the United States will monitor their implementation to ensure that end-use certificates are freely provided and that the requirements do not become an undue restriction on trade. In this regard, it is important to note that the United States has not waived any of its rights under the General Agreement on Tariffs and Trade respecting the application of these import requirements by Canada.

The U.S. government intent to claim a stake in C.W.B. administrative policies does not end with the subject of end-use certificates. The U.S. administration strongly signals its intent and interest in C.W.B. pricing policies as reflected in the following paragraphs:

In connection with paragraph three of Article 701, the application of the term "acquisition price" in that paragraph to sales by public entities such as the Canadian Wheat Board (CWB) is not specifically delineated, although such sales are covered by that paragraph. Of particular concern is determining the "acquisition price" of wheat in the context of the initial payment and final payment system used by the CWB. Any manipulation of the pricing system by the CWB would be subject to

review by the United States to ensure that Canada's obligations under paragraph three of Article 701 were not being circumvented.

In order to implement Article 701(3), the United States also intends to pursue consultations with Canada regarding the price setting policy of the CWB as it affects goods exported to the United States. These consultations will be directed toward establishing a method to determine the price at which the CWB is selling agricultural goods to the United States and the CWB's acquisition price for those goods. The ideal method would be a public price setting mechanism transparent to the U.S. Government, producers and processors.

The implication of the above quotation is that the U.S. would prefer the use of an open market price-setting mechanism for grain sales to the U.S. It is apparent the U.S. regards it as within its domain to dictate the terms and conditions under which the Board can sell grain to the U.S. It will not be a situation where the Board can be approached by a U.S. buyer and negotiate a sale price without scrutiny of U.S. trade officials who will claim a right to have the acquisition price revealed.

Nor does the U.S. interest end here. It has already gained the concession of having the Western Grain Transportation Act Crow benefit removed on grain shipments to the U.S. through West Coast ports. We believe the specific reference in the F.T.A. to "West Coast ports" is only designed to set the stage for seeking a further concession which will exempt all grain and grain product shipments to the U.S. from the Crow benefit payment.

We foresee the marketing power of transnational corporations gaining new power in the future cross-border movement of grain and grain products. To the extent that such power is acquired at the cost of the Board having to relinquish increasing control and jurisdiction, the Board's future survival and the interests of grain producers is at stake.

We strongly recommend the Board, through its publication "Grain Matters," fully inform producers of underlying implications in the Free Trade Agreement to its future ability to function. We regard it as critical that the Board retain full import licensing powers on all grain and oilseeds imported from the United States.

BILL C-92 AND THE BOARD:

The House of Commons Standing Committee on Agriculture last winter undertook to study Bill C-92, an Act to amend the Canadian Wheat Board Act. The Committee's report of February 4 has not been acted upon to date by the House.

A particular reservation we have expressed over Bill C-92 was in reference to Clause 8 which would empower the Board to pay to users of producer cars certain sums out of pool accounts over and above amounts paid to producers who have not availed themselves of producer cars.

The amounts the Board might pay, as envisioned by proponents of this proposal, would reflect in whole or in part their share of storage and interest costs as reflected in the Wheat Board's share of the general operating costs of the grain delivery system.

While we fully support the concept of the producer car, in our view the use of producer cars in today's context has strayed considerably from the original intent for which the right to ship a producer car was won.

The present-day advocacy of expanded producer car use is largely based on the principles of greed and privilege for certain commodity groups and large-scale producers. These are the same commodity groups who in past have supported elimination of the Crow's Nest Pass Agreement, branch rail line abandonment, variable grain freight rates, changes in the Crow benefit method of payment and, in the case of Wheat Board grains, have supported a dual export marketing system. None of the policies have reflected deep concern over long-term farmer welfare.

We have witnessed over recent years how the use of producer cars for the shipment of unpriced canola has been used to tie up valuable terminal space at the west coast. Some producer owners of this unpriced grain have held it for speculative purposes in the hopes of being able to extract premiums from exporters who desperately need supplies to complete export contracts. The undoubted result of this type of blackmail has been to lower the street price for canola at country elevator points in order to permit elevator companies to recoup

the added costs of premiums for which they have been held at ransom by speculating producers.

Such producers also seek the expanded use of the producer car to permit them even broader privileges for speculation. They are able to seek this privilege because they are large enough in size to have sufficient quota to qualify for car lot shipments. The producer car concept of 1902, by contrast, was intended to break the speculative stranglehold of the Grain Exchange.

When confronted with the suggestion that if all producers chose the producer car route the country gathering system would collapse, they have the added audacity to suggest that by virtue of use of producer cars, they are managing to keep country elevator elevation charges in line.

While we hold no particular brief for the service charge practices of grain companies, we submit the opposite may be true. By reducing grain volumes that might flow through the country elevator system, producer car shippers are contributing toward increasing elevation charges. This appears to be a more plausible objective, since the higher such costs rise, the more producer car shippers would benefit in by-passing the system. Increases in such charges will occur in 1988/89 which will provide increased incentive to ship by producer car.

The Minister has supported the Committee recommendation to authorize the Board to issue a special adjustment payment reflecting a share of costs in proportion to payments on Board grains made to elevator companies for the country carrying charges. The amount of such an adjustment payment would be discretionary upon the Board.

We submit that shippers of producer cars should not be entitled to any adjustment payments which will further stimulate the use of this method of grain gathering. The so-called loss of interest claimed because such shippers experience a delay in receiving payment whereas producers who deliver directly to a country elevator receive an immediate initial payment, is largely irrelevant. The decision to ship by producer car has not been adversely influenced by this theoretical loss. It is not unusual for the providers of goods and services in the regular business world to do so interest-free for periods of

30 days and longer. It is quite likely that producer car shippers also are among those who take advantage of such interest-free periods before settling their accounts with their creditors. Furthermore, many of the agitators for payment of C.W.B. carrying charges are the very same persons who have lobbied for changes in the method of payment of the Crow benefit and would presumably be prepared to accept such payments, some months after having paid full grain freight charges, without interest.

We recommend the Board refrain from implementing any adjustment payments to producer car shippers as proposed in recent amendments to the Canadian Wheat Board Act. The use of producer cars is not, in our view, appropriate to provide economic advantage to a few at the expense of others.

QUOTA REVIEW:

Our organization participated in the C.W.B. Advisory Committee quota review of last winter.

While the report of the Committee was received with only mixed reception by producers during the spring meetings, we are of the view that the Board must eventually proceed to a Market Assurance Plan (MAP) approach.

The NFU advanced such a proposal to the Quota Review Committee which is included in this submission as Appendix A.

We believe the MAP approach to assessing supply inventory will become increasingly important as licensed storage capacity of the country elevator system declines. This is a particularly critical year in that regard as there may be several delivery points which will be temporarily closed because of crop failure and lack of on-farm inventory. Some companies may use temporary closures as a transitional approach to total closures. This may trigger additional branch rail line closures.

The growing constraints presented by country elevator storage will increase the importance of having types of grain and grades appropriate to meet export demands, in store. This constraint may also

be experienced at the terminal elevator level as some facilities may be phased out in Thunder Bay as a result of this year's poor shipping prospects.

Additionally, the low initial grain prices of the past three years have not provided sufficient incentive to convince farmers of the urgency to deliver grain as space became available.

We recommend further refinement occur in quota review which will result in the development of a policy more compatible to meeting the Board's needs in a changing market environment.

THE IMPLICATIONS OF THE GATT NEGOTIATIONS:

Several preliminary international meetings prior to the formal commencement of negotiations under the GATT have directed special attention to the issue of agricultural trade.

Export dumping of manufactured goods has long been prohibited under GATT with clear rules for imposing anti-dumping or countervailing duties to stop this practice. In agriculture products, export dumping has been the rule, not the exception.

Downward pressure on prices have often occurred in tandem with surplus production. In our view, the orderly disposal of stocks must be negotiated multi-laterally, including provisions for the development of food reserves. However, dumping has also been associated with the attempt by some exporters to expand market share. As producers, we are well aware of the impact that has upon our incomes.

We believe the world needs to return to a negotiated Grains Agreement which can establish minimum market sharing and pricing as a step toward restoring order in world grain markets. In this context production must also be brought into line. Much of our soil is now at risk. Serious program efforts must be developed to restore much of our depleted soil resources.

We cannot endorse the GATT approach for wide-open access for agriculture markets or proposals to "decouple" production subsidies and allow "market forces" to exert influence in directing production

decisions.

Within this context we believe it is important to stress the importance of maintaining orderly marketing institutions, such as this Board, and balancing production with demand through supply management.

We have particular concern over any attempt to include a Grains Agreement under the rules of GATT as the approach to marketing is currently envisioned by some of the major member countries.

All of Which is Respectfully
Submitted by:

NATIONAL FARMERS UNION

APPENDIX A

MARKET ASSURANCE PLAN:

The following principle points represent the basic proposal for a Market Assurance Plan (MAP).

1. As other grains and oilseeds come under Board jurisdiction they become eligible for the Plan.
2. That the cash advance program be continued.
3. A special page or pages be provided in each delivery permit book to record all transactions relating to MAP.
4. At the conclusion of harvest or before December 1 in each year, a producer who wishes to participate in MAP would declare in the permit book the quantities and estimated grades of each kind of grain to be delivered to the Board during the crop year.
NOTE: This would make MAP a voluntary plan.

If, by the end of a crop year, a producer had been unable to deliver the quantity of grain he/she had committed for delivery, the amount of undelivered grain would become MAP grain.

5. The Board would continue to use a quota system on cultivated acreage to call grain forward and to share delivery opportunity among producers.
6. Failure to have declared in the permit book (No. 4 above) would disqualify a producer from participation in MAP.
7. Each application would be accompanied by an affidavit signed by the applicant that the stated quantities of grain are stored on the farm.
8. Each application would state:

- a) The kind, amount and estimated grade of each grain being committed to MAP.

- b) Land description where the grain is stored.
 - c) Names and addresses of all persons who have an interest in each kind of grain, and the extent of each person's interest.
 - d) The person or persons to whom payments are to be made.
 - e) The person to whom storage payments are to be made.
 - f) A guarantee that the grain will be kept in good condition.
 - g) The delivery point to which a producer wishes to deliver the grain.
9. Each application to be signed by all persons who have an interest in the grain.
 10. Upon acceptance of the application by the Board, and after deducting any outstanding cash advances from previous years, the country elevator manager would issue to each person whose grain has been accepted by MAP, a cheque as an initial payment for the grain at an amount per tonne equal to the initial payment at July 31 at the producer's delivery point for the crop year just ended.
 11. On the first day of November and on the first day of each succeeding three-month period, the Board would mail to each person to whom storage is to be paid [8(e) above], a cheque for an amount per tonne for storage equal to an amount that would be paid if the grain were stored in a licensed elevator.
 12. Each person to whom storage is paid shall be responsible to ensure MAP grain is kept in good condition.
 13. Storage payments would cease at the end of the three-month period in which the permit holder is notified

to deliver grain to an elevator (or such other person identified by the Board).

14. When MAP grain is needed by the Board, the Board shall notify the permit holder by Registered Mail, and the permit holder shall deliver the grain to an elevator (or such other person identified by the Board).
15. The Board shall make MAP grain available to the local market when arrangements are made with the Board.
16. The Board shall consider MAP grain as a reserve to be called into the system when regular quotas do not bring forward grain needed to meet sales commitments.
17. MAP grain called forward by the Board shall become part of the Pool for the crop year in which the grain is delivered to the Board.
18. All interest and storage costs associated with MAP to be paid by the federal government.
19. All administrative costs associated with MAP to be paid by the Board.
20. Regulations provided for penalties for abused to be drawn up by the Board.
21. The NFU re-initiate educational meetings at the district and local levels advocating the principles of MAP.

